RAL ECONOMIC REPORT NO. 87

FRANCE'S INSTITUTIONAL FOOD MARKET--
Developments and Prospects for U.S. Exports

U.S. DEPARTMENT OF AGRICULTURE · ECONOMIC RESEARCH SERVICE

ABSTRACT

France's institutional food market is expanding rapidly as the increasingly affluent French eat more meals away from home. Consumer expenditures for food consumed away from home in 1969 were estimated at $2.3 billion, about one-tenth as much as spent in the United States. The number of meals eaten away from home in France--about 3.6 billion in 1969--will increase to at least 4.4 billion in 1975 and possibly to 6 billion. To accommodate the increased demand for food service, chain restaurants and store cafeterias are being established and food service in public institutions such as offices, schools, and hotels is being increased.

Distribution channels for institutional sales, now fragmented, are being organized. Rising costs of meal preparation and shortages of skilled chefs are forcing many food service businesses and institutions to buy more factory-prepared foods, especially frozen foods.

Although there is a potential for increased exports of food products to France's institutional market, France's numerous trade restrictions and strong regulations on food additives and labeling must be surmounted to compete. Products offering the most opportunities for U.S. exporters include frozen prepared foods, variety meats, some beef and citrus fruits, and specialized institutional products. U.S. exported food products for institutional use in France must also meet French tastes and preferences.

Keywords: France, food service, institutional market, marketing, exports, marketing research.

The research reported on here was sponsored by the Foreign Agricultural Service of the U.S. Department of Agriculture and conducted by the Economic Research Service as part of the Department's program to assist U.S. agriculture and agricultural processing industries to increase exports of U.S. food and agricultural products. Other recent, related reports include: Food Marketing in Benelux Countries, Foreign Agr. Econ. Rpt. No. 70 (Mar. 1971); Food Marketing in Denmark, Foreign Agr. Econ. Rpt. No. 72 (July 1971); Food Marketing in West Germany, Foreign Agr. Econ. Rpt. No. 76 (Feb. 1972); and Sweden's Private-Brand Food Market, Foreign Agr. Econ. Rpt. No. 82 (Aug. 1972).

<u>Tonnages given in this report are metric.</u>

Washington, D.C. 20250 March 1973

CONTENTS

SUMMARY

The increasingly affluent French are eating more meals away from home--in restaurants; school, office, and chainstore cafeterias; and the many other establishments that make up the institutional, or food service, market. There is a potential for increased use of imported food products in this market, but U.S. exporters seeking entry face a number of challenges. France's great gastronomic tradition is the major one. For some products, such as prepared foods, U.S. food manufacturers will need to duplicate in convenience form traditional French-tasting dishes prepared in France by labor-intensive methods. Other challenges for U.S. exporters include numerous trade restrictions, strong regulations on food additives and labeling, relatively high U.S. prices, and competition from several large French and French-based multinational firms that are moving into the institutional market.

In 1969, French consumers ate 7.5 percent of their meals--about 10 million meals daily--away from home. Their expenditures for these meals were an estimated $2.3 billion for the year--about one-tenth the amount spent by U.S. consumers. The French will eat at least 4.4 billion meals away from home in 1975--possibly 6 billion--compared with 3.6 billion in 1969. Expenditures for these meals will increase about 5 percent annually during the 1970's. Food service in schools and in restaurants will each account for about 30 percent of away-from-home meals. The combined share for food service in offices and factories will be about 15 percent.

Factors contributing to the growth of France's institutional food market include rapid economic growth (about 6 percent a year), increasing urbanization and employment of women, and more leisure time and tourism. Daily living habits are also changing in ways that affect food consumption. Traditionally, almost everyone received 2 hours for their midday meal, which was typically eaten at home. But with the increasing size and growth of urban areas and a trend to shorter lunch hours, many office and factory workers and schoolchildren are unable to return home because of the distance involved. As a result, many people now have to depend on food service at work or at school.

To accommodate the increasing demand for food service, restaurant businesses are establishing chains. Catering firms are being contracted to provide food service in many offices, factories, and schools. Large chainstore firms are setting up modern cafeterias in their stores and supermarkets. And demand created by the growth of tourism is giving rise to expanded food service in hotels, motels, and airports.

Along with the growth in demand, increased costs of food preparation and a shortage of skilled chefs are causing the more modern food service sector--especially restaurant chains and cafeterias in offices, factories, and chainstores--to buy more highly prepared and convenience foods. The more traditional

establishments--such as small restaurants, cafes, and eating places in public institutions--still rely primarily on fresh or unprocessed foods.

In 1970, the total institutional market accounted for about 70 percent of direct consumption of frozen food; retail sales were 30 percent. Consumption of these foods in the institutional market is probably growing more rapidly than that of any other processed food. Away-from-home consumption of frozen prepared dishes, while still at a low level, quadrupled from 1969 to 1970. Consumption of all frozen foods in the food service market is expected to increase nearly 20 percent a year during 1970-73.

The rapid growth of the institutional food market is causing organization and integration of the presently fragmented distribution channels for institutional sales. Some food manufacturers are setting up their own direct distribution systems for institutional sales and service. Grocery wholesalers and cash-and-carry wholesalers are intensifying their selling and distributing activities in the food service sector. A few retail chainstore firms and multi-establishment restaurant businesses are creating special departments to sell to other establishments in the food service market.

U.S. exporters seeking to enter this expanding market should focus most development activity on the fast-growing, more modern sector, where more potential exists for imports. The more traditional sector is also expanding and should not be neglected, however. Products offering the best opportunities for U.S. exports are prepared and convenience foods--especially frozen foods--packaged in institutional sizes, plus U.S. variety meats, some beef and citrus fruits, and specialized institutional foods.

To obtain wide distribution in France's institutional market, U.S. exporters will have to rely primarily on French importers and wholesalers. But direct selling can be an important means of reaching large commercial establishments such as large restaurant businesses and chainstore firms. Direct selling to manufacturer-distributors can also be an effective method of distribution. Contact with the more traditional food service sector should be made through voluntary chains, which operate most of France's cash-and-carry wholesale houses.

Buyers for all these components of the institutional market are demanding specialized products, improved product quality, and dependable delivery and service. Thus U.S. exporters should begin market development activities with an exchange of detailed and technical product information with major distributors and food service businesses. Market-testing--to determine if products introduced in France's institutional market meet specifications and customer tastes--plus terms of sale and distribution of products must also be discussed.

Even if U.S. manufacturers can develop products that meet French tastes and can successfully meet buyers' other requirements, France's variable levies, tariffs, and quotas will be obstacles to large-scale marketing in France. The competitive position of the United States would be strengthened by the liberalization of trade in agricultural products with France. Also, U.S. manufacturers should become more efficient in exporting and marketing relative to competitors if they are to compete favorably in France's institutional food market.

FRANCE'S INSTITUTIONAL FOOD MARKET-- DEVELOPMENTS AND PROSPECTS FOR U.S. EXPORTS

By

W. Scott Steele 1/

I--INTRODUCTION

Background

U.S. food industry and Government efforts to develop export markets have focused mainly on expanding exports of basic commodities and processed foods in foreign retail markets. Comparatively little attention has been given to development of foreign institutional food markets. 2/ However, as a result of recent rapid growth of the food service market in the United States, food manufacturers and distributors have come to realize that the institutional food market is a separate profitable and growing market with specialized needs. Moreover, the large size of the U.S. institutional market and its rapid development have permitted U.S. manufacturers to develop and market new specialized food products. Now U.S. food manufacturers are capable of efficiently producing specialized institutional food products for sale in both foreign and domestic markets. In addition, U.S. agricultural producers can export fresh and frozen fruits, vegetables, and meats for sale to food service businesses abroad.

U.S. consumers spent $28.4 billion on food and beverages away from home in 1970, compared with $16.2 billion in 1960 (50). 3/ Consumer expenditures in restaurants and other food service establishments increased about 6 percent annually in the 1960's. European institutional food markets also have been expanding rapidly in recent years. Rapid economic growth and changing socio-demographic factors in Europe are responsible for the increase in meals consumed away from home.

1/ Economist, Foreign Demand and Competition Division, Economic Research Service.

2/ The terms institutional market and food service market are used interchangeably throughout this report. This market includes all food consumed away from home in restaurants, cafeterias, schools, hospitals, offices, factories, and other institutions.

3/ Underscored numbers in parentheses refer to items in Literature Cited, at the end of this report.

France has been an important and growing market for U.S. farm and food products. In 1970, the United States exported agricultural products to France worth $271.9 million, a 31.6-percent increase over 1965's $206.6 million. U.S. exports represented 8 percent of total world agricultural exports to France in 1970. Major U.S. exports to France that year were (47):

Animal feeds	$68 million
Grain and preparations	$66 million
Oilseeds, nuts, kernels	$50 million
Animal products	$36 million
Fruits and nuts	$10 million

Of all U.S. agricultural exports to France in 1970, products worth an estimated $50.8 million--approximately 18.5 percent of the total--could be used for direct human consumption at home or away from home. 4/ From 1965 to 1970, the value of such products increased approximately 32.3 percent. This export performance suggests that at least some U.S. farm and food products are competitive in the French market despite trade barriers. No doubt their rate of growth and level would be higher if there were freer trade with France.

In the future, France will probably not be able to entirely meet the growing demand for many food products in terms of quantities, quality, and product forms, and imports will be relied on to some extent. Exporters to France must closely follow the development of the institutional market and be ready for product opportunities as they emerge from changes in demand.

Study Purposes and Methods

France has always had a highly fragmented food service sector with many small hotels, restaurants, and cafes depending heavily on the traditional wholesale-retail distribution sector for their supply of food products. Almost everyone in France received 2 hours for the midday meal, time enough to go home to eat and return to work. Very few office and factory workers, other employed people, and schoolchildren ate away from home. Many segments of the population ate out only on special occasions or when traveling. Under these conditions, the food service market was merely a small part of the overall food market, purchasing standard fresh and grocery food products for preparation into meals. Only recently have there been changes leading to modernization and growth of institutional food services in France. New, dynamic forces are bringing about the development of a new food service sector, as well as changing the structure, operation, and product needs of a large part of the traditional food service sector. Moreover, there are changes taking place in the strategy and techniques of marketing food products to food service businesses. Accordingly, this study seeks to provide basic market information and analysis needed by the U.S.

4/ Includes foods such as fresh, frozen, and prepared meats; cereals and preparations; fresh, dried, and prepared fruits; fresh, preserved, and prepared vegetables; sugar and preparations; chocolate and products; spices; margarine and shortening; other food preparations; and nonalcoholic beverages.

food industry and the U.S. Department of Agriculture's Foreign Agricultural Service in developing, evaluating, and implementing export marketing strategies and methods needed to expand sales of U.S. agricultural products to France.

Information for this study was obtained partially from published reports and documents of the French Government, research institutes, international organizations, trade associations, and firms. This limited published information was supplemented with 35 interviews conducted by the author with representatives of food service enterprises, wholesalers, manufacturers, importers, trade association members, and Government agency officials in France.

In certain areas of the study, since data were either not available or contained inconsistencies, it was necessary for the author to rely on his judgments and estimations and those of experienced people working in food marketing in France and the U.S. Department of Agriculture. In some cases, the most recent data available for use in this report were for the latter part of the 1960's; this is especially true of data on the numbers of restaurants and cafes and food wholesalers and importers. More recent data are not available because the French census of industrial establishments and businesses is taken only every 4 years. Data on sales of wholesalers and on meals eaten outside the home were obtained from special French Government and trade association surveys which are made only periodically. Nonetheless, these data--together with interviews by the author--help to establish that changes which began in earlier years are continuing.

Chapter II of this report discusses socioeconomic and demographic changes affecting the growth and modernization of the French institutional food marketing system. Subsectors of the institutional market and their structures are described in chapter III. Chapter IV discusses the channels of trade serving the institutional market. Food products now being purchased by institutional buyers are dealt with in chapter V. Chapter VI contains a discussion of French food manufacturing, and the final chapter deals with the significance of the growth and change of the French institutional market for U.S. exporters of food products.

II--BASIC FORCES AFFECTING THE INSTITUTIONAL MARKET

Increasingly affluent French consumers are eating more meals away from home. Consumer expenditures for such meals in 1969 were an estimated $2.3 billion, or $146 per household (21). In 1969, France's food service market was almost one-tenth the size of the U.S. market in terms of expenditures for meals away from home. 5/ In 1969, the French ate approximately 10 million meals daily away from home, representing about 7.5 percent of all the meals eaten in France. 6/

5/ In the United States, expenditures for meals and beverages away from home amounted to $26.5 billion in 1969 (50).

6/ Based on 3 meals a day. French sources use 2 meals a day and quote 10 percent as the percentage of meals eaten away from home.

From 1965 to 1969, the number of meals served away from home grew by almost 9 percent a year, to 3.6 billion. 7/ Some French sources have estimated that the number of such meals will reach about 4.4 billion by 1975, an average annual increase of about 3.5 percent (8, 58). However, using the 1965-69 average growth of 9 percent a year, the number could reach 6 billion by 1975.

The rapid increase in the number of meals eaten away from home and the associated development of the institutional food market have resulted from the same basic socioeconomic and demographic forces responsible for economic growth in all industrialized countries.

Population

Population growth has had a moderate impact on the growth of France's food market. France's population increased about 1 percent a year in the 1960's to 50.5 million in 1970 (37). However, population growth in France, as in other European countries, will decline in the 1970's. French Government sources project annual increases of .7 percent and a 1980 population of 54.24 million (52).

Of special importance for institutional food marketing is that an estimated 2.3 million of France's 50 million people in 1968 were living in and receiving meals in institutions, particularly schools and hospitals. Moreover, from 1954 to 1968, the institutional population increased more than 40 percent and is expected to increase modestly to approximately 2.44 million by 1975, or about 6 percent from 1968 (24). However, the number of meals served in these institutions is likely to grow at a much higher rate, primarily because of increased university enrollments. The percentage of secondary school graduates who enroll in universities is expected to increase from 8.8 percent in 1965/66 to 16.8 percent in 1975/76 (39).

Economic Growth

The most significant factor causing growth and change in the market for food away from home is a rise in per capita income. France experienced a high rate of economic growth in the 1960's. Real gross national product (GNP) increased at an average annual rate of 5.7 percent over the decade. Real per capita growth averaged 4.7 percent annually (38). In 1970, France had a per capita GNP of $3,200 (at 1970 exchange rates), about two-thirds of the U.S. average of $4,756.

The French food industry benefited greatly from this high rate of economic growth. Real food expenditures increased by 3.6 percent a year from 1960 to

---

7/ The French magazine Neo Restauration reported that the number of meals eaten away from home reached 4 billion in 1970, increasing 11 percent over the estimated 1969 level of 3.6 billion (31).

1968, even as they declined from 20 to 17.3 percent of GNP (38). In comparison, consumer expenditures in hotels, restaurants, canteens, and other institutions increased approximately 4.2 percent in constant prices (20, 23). 8/ Household expenditures for meals away from home were about 11 percent of the average 1969 food budget and about 4 percent of the total household budget (21).

Further gains in economic growth, expected during the 1970's, will lead to increased expenditures for food both at home and away from home. The real value of GNP was expected to expand by roughly 5.4 percent in 1971, to $164 billion (2). This is somewhat lower than 1970's 6.1 percent growth rate. The slowdown was expected to continue into 1972. As a result, the real rate of growth will probably decline to 5 percent in 1972. Despite problems of inflation and rising wages, the longer term growth potential is good. A report by the Organization of Economic Cooperation and Development (OECD) estimates that during 1970-75, the average annual rate of growth in France will be about 6 percent or 5.3 percent per capita (40). 9/ Based on this data, the author projects that total food expenditures will rise approximately 3.4 percent annually, or 2.65 percent per capita, in real terms. 10/ During the 1970's annual food and related expenditures away from home will increase by about 4.8 percent in constant prices, and about 6 to 10 percent in current prices, depending on the rate of inflation. 11/

Changes in Living Patterns

Life styles are changing rapidly in France, a development that has important implications for food consumption away from home. The general direction of change is toward the patterns found in other industrialized countries. Institutional food marketing has been significantly affected by increases in urbanization, employment of women, ownership of automobiles, leisure time, and

---

8/ Household expenditures in hotels, cafes, restaurants, and canteens increased, at 1963 prices, from 14.25 billion francs in 1959 to 20.7 billion francs in 1968. These household expenditures include payments for meals, beverages, and rooms in hotels. In 1959-68, average annual expenditures increased 4.4 percent in hotels, cafes, and restaurants; 5.1 percent in enterprise canteens; and 2.9 percent in school canteens (23).

9/ France's economic development plan for 1971-75 -- the French VI plan -- projects a growth rate of 5.9 percent over the period.

10/ A linear regression of real per capita food expenditures as a function of real per capita income gave an estimate of income elasticity of .58 for 1960-68. That is, other things equal, a 10-percent change in income leads to a 5.8-percent change in food expenditures. Since food expenditures are a steadily declining share of personal disposable income, an average income elasticity of .5 was assumed for 1968-80.

11/ A linear regression of real household expenditures for food and related expenditures away from the home, as a function of real personal disposable income, yielded an income elasticity of .8 based on 1959-68 data.

travel, and a general rising tempo of daily living. Food manufacturers and distributors must be aware of these developments, since they affect the organization and operation of the food service market.

Urbanization and the Continuous Day

The number of people living in urban areas of France has increased twice as fast as the total population over the last decade. The urban population in 1950 was 22.6 million, approximately 54 percent of the total population; in 1970, it increased to 36.1 million, representing 70 percent of the total population. By 1975, the urban population is expected to increase to 40 million, about 75 percent of the total (39).

The greater Paris area has the largest concentration of population in France. Its 9.2 million inhabitants accounted for 18 percent of the country's total population in 1970 and contributed over 30 percent of the individual income taxes collected in France. The cities of Rennes and Lyon are growing faster than Paris, and Grenoble is growing twice as fast. The 1968 census reports 49 metropolitan areas with populations exceeding 150,000 (55).

With the growth of urban areas, many executives, factory workers, and schoolchildren are unable to return home for the midday meal because of the distance and time involved. Furthermore, with the reduction of the traditional 2-hour lunch break and the adoption of a continuous-day concept, more and more people have to rely on food service in offices, factories, and schools.

Increasing participation of married women in the labor force also discourages husbands and children from eating midday meals at home. The proportion of women working at ages 20 to 24 increased from 55.7 percent in 1954 to 61.8 in 1968; in the age groups 25 to 34, it increased from 40.2 to 46.4 percent, and at ages 35 to 44, it rose from 42.4 to 44 percent. In other age groups, the proportion of women working dropped (33).

Automobiles, Travel, and Leisure Time

The percentage of households owning automobiles increased from 35 percent in 1962 to 53 percent in 1968 (52). The increasing ownership and use of automobiles along with urban mass transit systems has had an important impact on the growth of suburbs and the development of new commercial centers. These new centers, like Parley II on the outskirts of Paris, contain supermarkets, specialty shops, department stores, and modern restaurants. These new shopping areas have ample parking and are becoming the hub of suburban living. Plans have already been made to develop a number of important new commercial centers in the 1970's.

With more leisure time and more highways and automobiles, the French are traveling more. The number of paid and public holidays has reached 32 days, plus another 10 unpaid holidays for women and adolescents (10). This leisure time means that people are on highways more often and are spending more time in resort areas and more money for food and accommodations. Under construction in France is a series of new autoroutes which will link up with major

highways in contiguous countries. The Autoroute du Sud from Paris to Marseilles, which was recently completed, will eventually extend to Spain and Italy. A large French restaurant chain is building modern restaurants on this and other highways to serve travelers throughout France.

Not only are the French traveling more, but more foreign tourists are traveling in France. The tourist industry is France's most important "exporting industry" after the automobile industry. In 1970, foreign tourists spent an estimated 125 million nights in France, 11 percent more than in 1969 (39). French tourist receipts for 1970 were an estimated $1,192 million, approximately 10 percent of total tourist expenditures in OECD member countries in Europe. Not only hotels and restaurants benefit from the yearly influx of tourists; food service at airports and provision of inflight meals are also growing business operations.

Eating Out in France

Most meals consumed away from home in France are at midday, when the main meal of the day typically is eaten. Midday meals account for 93 percent of the meals served in enterprise canteens, 77 percent in schools, and 70 percent in restaurants. In 1967, weekly household expenditures for food away from home averaged 1.46 F.F. in enterprise canteens, 2.23 F.F. in schools, and 7.58 F.F. in restaurants (table 1) (23). 12/ Average expenditures, however, vary by region, population density, and occupation. In 1967, Parisian families spent 21.81 F.F. a week -- about twice as much as households in other regions. The average for all of France was 12.95 F.F., while residents in the North and in the Paris Basin area spent as little as 7.94 F. F. and 8.70 F.F., respectively. Expenditures increase with population density; in rural communities, they averaged 9.9 F.F. Expenditures of 10 F.F. to 13 F.F. were recorded in cities of other sizes. Occupation also affects spending; weekly expenditures for all France in 1967 amounted to over 30 F.F. for managers and executives and less than 13 F.F. for most other occupational groups.

III--INSTITUTIONAL MARKET SECTORS

In 1969, restaurants served 28.6 percent of the meals eaten away from home in France, schools 25.8 percent, and office and factory cafeterias 18.6 percent (table 2). These three sectors combined accounted for about 75 percent of the French food service market. The remaining 25 percent consisted of institutional food programs in hospitals, prisons, the armed services, and the religous community (8).

12/ The 1967 rate of exchange was $1 = 4.91 French francs.

Table 1--Number of meals eaten outside the home and average expenditures by size of cities and towns, France, 1967

Item	Rural communities	Cities and agglomerations				Total
		Less than 20,000 people	20,000 to 200,000 people	200,000 and greater	Paris metropolitan area	
Numbers of households (thousands)	5,092	2,116	3,207	2,357	2,933	15,705
Average number of persons per household	3.34	3.24	3.21	3.02	2.79	3.15
Number of meals taken outside the home during the week (thousands)	27,819	10,792	17,357	14,004	24,165	94,137
Average number of meals taken outside home during the week per person	1.64	1.57	1.69	1.97	2.89	1.90
	French francs					
Total expenditures for food away from home by the household per week	9.90	10.86	10.93	13.23	21.81	12.95
In restaurants	5.22	7.48	6.62	8.67	11.97	7.58
In enterprise canteens	.49	.76	1.08	1.10	5.27	1.46
In school or university restaurants	3.22	1.68	1.53	1.62	2.18	2.23

Individual items may not equal total because of rounding.

Source: (23).

Table 2--Number and share of meals served outside the home by type of food service establishment, France, 1965 and 1969 and projected 1975

Establishment	1965 1/	1969 1/	1975
		Millions	
School establishments	570 2/ (22.5)	930 (25.8)	1,300 (29.5)
Commercial restaurants	600 (23.3)	1,030 (28.6)	1,300 (29.5)
Enterprise canteens	370 (14.3)	490 (13.6)	670 (15.2)
Poor and old age homes	140 (5.4)	223 (6.2)	715 (16.2)
Hospitals and clinics	145 (5.6)	348 (9.7)	
Armed services	180 (7.0)	200 (5.8)	186 (4.2)
Religious community	90 (3.5)	85 (2.8)	80 (1.8)
Social aid establishments	65 (2.5)	50 (1.4)	50 (1.1)
Prisons	40 (1.6)	35 (1.0)	38 (.9)
Vacation camps	25 (1.0)	65 (1.8)	70 (1.6)
Other 3/	350 (13.6)	145 (4.0)	-- --
Total	3/2,575 (100)	3/3,600 (100)	4,409 (100)

1/ Estimated.
2/ Percent of the total number of meals served.
3/ This category was included because the columns did not add to the totals given in the original source table.

Source: (8, 58).

Restaurants

In 1969, France had about 42,000 restaurants, of which 80 percent were cafe-restaurants (22). They served an estimated 1,030 million meals with an estimated total value of $1.1 billion, or about $1 each (21, 23). 13/ More than half of all restaurants were small family enterprises with no hired workers. Only 2,300 enterprises, or about 6 percent, employed five or more workers, and only .2 percent of all enterprises employed 50 or more workers. All but .4 percent were single-establishment businesses. France had 86 self-service restaurants in 1966.

French restaurants are slowly increasing their share of the nation's institutional market. It was about 23 percent in 1965 and is expected to rise to 30 percent by 1975 (8). From 1965 to 1969, the number of meals served in restaurants and cafes grew by 72 percent; an increase of 26 percent is projected for 1969-75, when meals will reach an expected 1,300 million (8, 58). 14/ The value of take-out meals in these restaurants is also growing. It reached $85 million in 1970, a 6-percent increase from the year before. 15/

Restaurant Chains

France has only a few multiestablishment food service businesses. The first large operation began about 1960. One restaurant chain, probably the largest and best known in France, serves about 135,000 people a day in 190 public restaurants, 140 institutional restaurants, and about 50 various other food establishments (26). In 1971, total meals served by this firm reached 32.3 million, an increase of 36.3 percent over 1970. Chain restaurant firms are expanding their operations away from the central cities to the suburbs and to where people spend their leisure time, as well as into factories and offices where they work. Accordingly, they are building restaurants on highways, in resort areas, in new commercial centers, and in or near airports. Most of these restaurants have a modern design and up-to-date equipment for preparing meals, including ones using frozen food, fast and efficiently.

Chain restaurant operations, some owned by U.S. firms, are being established in other European Community (EC) countries as well. A few of these chains may

---

13/ In the United States, raw material costs for restaurants average approximately 42 percent of sales (49). If this figure is assumed to be true for France, then the wholesale costs of food and related items to restaurants in France would amount to a crude estimate of $460 million.

14/ Based on estimates for 1969 and 1975, the average increase in meals eaten in restaurants will be about 4 percent a year during 1970-75. This would be a substantial reduction from the estimated average yearly growth rate of 14.5 percent that prevailed during 1965-69 (8). Thus, a somewhat higher growth rate for 1970-75, perhaps 6-10 percent a year, may prove to be a better estimation.

15/ Source: Special tabulation from Institut National de la Statistique et des Etudes Economique (INSEE) -- National Accounts, Consumption of Households.

soon be seeking entry into France through some type of franchising arrangements. Already in France, one French chain has the franchise for a large fast-food firm based in the United Kingdom. To facilitate franchising in EC countries, major international firms recently formed a new Netherlands-based association. It aims to introduce a code of practice to which members will conform, to provide representation with local governments, to help in financing at favorable terms, and to provide consulting and information services for members (9).

The future development of modern multiestablishment restaurant businesses in France is undecided. The changing socioeconomic and demographic environment favors their expansion. However, many French food industry executives believe that growth of these restaurant businesses will depend greatly on the quality of food and service offered. These new restaurants provide a convenient place to eat basic French cuisine daily at reasonable prices; the more traditional restaurants, with their strong foothold in the central cities, offer gastronomy, atmosphere, and entertainment. The chain restaurants probably provide substantial competition for the cafe-restaurants, while most of the traditional restaurants that can maintain good chefs should have a growing volume of business.

Fast-food restaurants, as they are known in the United States, are very limited in France and whether they will expand is uncertain. Many French people have an unfavorable image of the type of food served in these restaurants. The challenge is to develop fast French-style food that is unlike American hamburgers and fried chicken. 16/

Supermarket and Chainstore Cafeterias

Another development in the modern food service sector is the establishment of cafeterias in supermarkets and other chainstores. About 120 are in operation, chiefly in supermarkets owned by major food chains (42). These cafeterias are designed to attract customers to the stores and to increase store margins and profits. Furthermore, they can utilize food products, especially perishable ones, which are sold in the supermarket. Most cafeteria managers, however, have the option of buying food products from other distributors. Supermarket restaurants are typically open 12 hours a day and charge 6 to 8 francs, compared with 10 to 12 francs in many independent cafeterias. Food chain owners believe they can bring modern management into the restaurant industry and develop an acceptable quality food service, especially in new commercial centers. One large chain with cafeterias in all 40 of its "hypermarkets" has just introduced "The Five Nations Restaurant" to France. This establishment

---

16/ Nonetheless, a large, well-known American hamburger chain has just opened two restaurants in the Paris area -- one in a suburb, the other on the Champs-Elysses. These fast-food restaurants will be exact replicas -- in terms of food and appearance -- of their counterparts in the United States. In addition, restaurants serving Italian food, especially pizza, are currently popular in Paris.

serves, under one roof, food specialties of five different countries, including Texan-style food from the United States (31). 17/

Hotel Restaurants

In 1970, France had 14,574 hotels of the tourist class conforming to standards set by the Tourist Authority (44). There were another 35,320 hotels described as "de prefecture", which are classified by the local prefect. The French National Tourist office rates hotels from one to four stars, on the bases of hotel equipment and facilities provided and quality of service. All hotels of two-star classification and above must provide breakfast in rooms; all three-star hotels and above must provide full restaurant service, including lunch and dinner. In 1970, 60 percent of the hotels rated only one star and did not provide food service. Twenty-eight percent were two-star, 8.5 percent three-star, 1.8 percent four-star, and .5 percent four-star luxury hotels (57). Thus, only 1,500 hotels (those rated three-star and above) -- about 10 percent of the total number of hotels rated by the Tourist Authority -- were to any large extent involved in food service. Three-star hotels and above accounted for 84,000 rooms, 23 percent of the total number of rooms.

The French V Plan (ending 1970) gave considerable aid to modernize the hotel sector. Loans were provided to assist hotel construction and modernization. However, most hotel improvement funds were spent on refurnishing rooms. Only about 10 to 20 percent was spent on kitchen and cleaning equipment (56).

To stimulate growth of the tourist business, France has recognized the need to build new hotels and modernize old ones. It must provide proper food service if it is to share in the growth of tourism. Surveys carried out by Air France have shown that France's hotel sector must catch up with that of other countries. Between 1935 and 1968, not one large hotel was built in Paris or in the surrounding area (44). In the same period, 5,000 rooms were closed. Using (1959 = 100) as a base, accommodations in Paris fell to 96.6 in 1966, while they rose to 130 in Rome, 115 in London, 140 in Madrid, and 172 in Geneva. Moreover, of the 60,000 rooms in Paris in 1969, only about 16,500 would meet requirements of international travelers. Air France concluded that France needed to provide 10,000 new rooms during 1969-72 and that by 1975, Paris will require some 13,000 new rooms in hotels of three-star category and above (44). To meet this need, 16 new hotels have been recently planned or built in the Paris area. Several of these have been built by major U.S. hotel corporations. The new hotels will provide the most modern food service facilities and are suitable for conventions and banquets. In addition, several new French hotel chains are endeavoring to make modern, well-managed hotels available. There are five chains of this type. Each chain manages a number of hotels, centralizing administrative services and buying. Chain hotel development has so far been directed mainly toward tourist areas, including the Paris area.

17/ A "hypermarket" is a large self-service store usually located in a suburban commercial center. It offers a very large assortment of both food and nonfood products at reduced prices.

Motels are also being built along major autoroutes and near airports. A new French motel firm plans to have 25 motels in operation by the end of 1972 and 26 to 40 by the end of 1973 with a total of about 3,700 rooms. Food served in these motels will center on basic French cuisine which can be easily and rapidly prepared (31).

Airport Food Service

A large new international airport for supersonic and jumbo jets is under construction at Roissy-en-France, near Paris. It will be completed in three stages, the first of which will be in operation by 1973. By 1990, this airport is expected to handle 40 million passengers and 2 million tons of freight a year. At least four airport hotels, each with about 500 rooms, are planned in conjunction with 15 public restaurants, cafeterias, and snack bars (57). The airport is expected to ultimately employ about 60,000 people, creating a need for additional food services. The Air France terminal will have a central kitchen supplying 10,000 to 15,000 precooked meals daily for ground and inflight consumption.

Two French firms and two American firms, one a large food service and lodging corporation, have formed an organization to provide food service at the new airport. They plan to prepare 2.8 million meals a year initially and expect to reach 8 million eventually (31).

Orly airport, the main airport serving Paris, increased the number of its restaurants from four to six after the recent extension of Orly West, which provides food service for up to 10,000 passengers daily (57).

A number of smaller regional and resort airports are being planned. These also offer expanding opportunities for food service operations.

Office and Factory Cafeterias

As a result of the size and growth of urban areas, shorter lunch periods, and rising employment of women, greater numbers of factory and office workers are purchasing their midday meal in or near the factories and offices where they work. About 9,922 office and factory cafeterias were reported in 1966 (22). Consumer expenditures in these cafeterias totaled about $400 million in 1971, an increase of 12 percent annually since 1968. 18/ Meals served in these cafeterias accounted for 14.3 percent of meals served away from home in 1965; their share declined slightly to 13.6 percent in 1969 but is expected to rise to 15.2 percent by 1975 (table 2). French sources have projected a 36.7 percent increase in the number of meals served in these institutions during 1969-75, or about 5 percent a year, to 670 million (8, 58). However, if 1970 data are used in making the projection, the number of meals served in office and

---

18/ Special tabulation from Institut National de la Statistique et des Etudes Economiques -- National Accounts, consumption of household. Most employers subsidize the costs of their employees' meals; this is not reflected in the expenditure total.

factory cafeterias could reach 770 million by 1975, increasing at an average rate of about 8 percent annually (43). 19/

All French businesses employing more than 50 persons are required by law to provide food service for their employees (57). Some firms manage their own cafeterias but many firms, especially medium-sized ones, have their meals prepared by specialized institutional catering firms. 20/ Employers unable to provide on-premise eating facilities may give their employees meal vouchers. These can be used in nearby restaurants and are usually worth 50 to 60 percent of the price of the meal.

Food Service in Institutions

In 1969, public institutions served approximately 1,500 million meals, about 40 percent of the total number of meals served in the food service market. Food service in the public sector has operated in a fairly traditional manner, using labor-intensive methods to prepare fresh products into meals. However, increasing costs are now affecting the operation and organization of the public food service sector. 21/

Schools

In 1969, universities and primary and secondary schools served approximately 930 million meals, representing 25.8 percent of the meals served in the overall food service market (8). During 1965-69, the number of meals served in schools increased about 13 percent a year. By 1975, school and university food service will have increased its share to 30 percent of total meals served from 25.6 percent in 1965. The number of meals served in this sector will grow at a rate approaching 6 percent a year during 1969-75.

France has a national school food program which subsidizes the cost of students' meals. In general, the older a child is, the less it costs his parents for his school meals. Moreover, French school children are guaranteed a five-course meal every day under an order issued by the new nutrition-conscious Government. If steak is served, every child is entitled to a quarter pound; if the meal is chicken, nearly half a pound is allowed. The Government decided on these new

---

19/ A recent study on food service in offices and factories estimated that the number of meals served will reach 665 million by 1975 and 870 million by 1980, based on data from 1959 to 1969. However, if 1970 data are included in the calculation, the rate of growth in meals served in this sector increases, resulting in a projection of 770 million meals for 1975 and 1,065 million for 1980 (43).

20/ To the author's knowledge, centralized kitchens preparing food for several offices and factories have not yet been developed in France.

21/ There have been complaints from the private sector that more economical, higher quality food service could be provided to public institutions if professional caterers were permitted to operate public food service programs.

regulations because some schools were not meeting nutritional standards for growing children.

Hospitals

An estimated 570 million meals were served in French hospitals and old age homes in 1969; of these, about 400 million were served in 2,100 public health care facilities. Hospitals and homes for the aged accounted for an estimated 15.9 percent of the food service market in 1969. Growth of food service in hospitals and related institutions is expected to be modest, about 3.7 percent a year; approximately 715 million meals will be served by 1975, with little change in this sector's share of the overall market (8). Growth is expected to be only modest because of reductions in length of stay in hospitals and advances in medicine, rather than because of limited growth in numbers of people treated in hospitals.

Other Food Service

The Armed Services accounted for about 5.8 percent of the total food service market in 1969. The number of meals served in the Armed Services, about 200 million in 1969, is not expected to change appreciably by 1975. The number of meals served by social workers was about 50 million, with no change expected by 1975. Religious communities served about 85 million meals, and there will be a slight decline to 80 million by 1975. Prisons will account for about 38 million meals by 1975, increasing slightly over the 1969 level. The combined share of the market of these institutions will fall from 12.6 percent in 1969 to about 9.6 percent in 1975 (8).

IV--INSTITUTIONAL TRADE CHANNELS

Channels for distributing food and related products to food service establishments are fragmented but are being rapidly organized. Manufacturers are setting up direct distribution systems for institutional sales. Grocery and cash-and-carry wholesalers, as well as some specialty wholesalers, are intensifying their selling to the food service sector. Some retail and restaurant chains are setting up special departments to service their own restaurant operations and other food service businesses.

Wholesale Channels

The general trend in grocery wholesaling in France is to fewer but larger firms with broader product assortments, serving voluntary chains of independent retailers. The number of specialty wholesalers, although still large, continues to decrease rapidly, while the number of cash-and-carry wholesalers continues to rise. Most of the C&C wholesale houses are owned by large wholesalers who serve France's voluntary chains of food retailers.

Grocery Wholesalers

Fewer but larger sized wholesalers account for an increasing part of the sales and distribution of food products in France. In 1968, grocery wholesalers with sales below $1.2 million (6 million F.F.) accounted for 55 percent of all wholesalers, compared with 90 percent in 1960. These small firms had only 14 percent of total sales in 1968, compared with 1960's 58 percent. Firms with sales above $2 million (10 million F.F.) in 1968, representing 31 percent of all grocery wholesalers, accounted for 76 percent of total sales. As these larger firms have become more predominant, the total number of grocery wholesalers has declined; from 1954 to 1966, the number dropped more than 50 percent to 2,600. Their 1966 sales totaled about $1.7 billion (8.4 billion F.F.) (16).

These larger grocery wholesalers are widening their product assortments to provide full service to their customers. In 1960, groceries accounted for 88 percent of total assortments; by 1968, the share had declined to 76 percent (16). Beverages, perishable fruits and vegetables, frozen and prepared foods, and nonfoods have an increasing share of the assortment.

Some grocery wholesalers have recognized that there is a distinct and growing institutional food market and are orienting their wholesaling function partly, if not totally, in this direction. Of a 1966 sample of 507 wholesalers, 129 sold food products worth $30 million (150 million F.F.) to the institutional food market; this represented an average 17.8 percent of their total sales activity (16). Thirty of these 129 wholesalers were particularly specialized in this field, with 36 percent of their total sales, or $20 million (98 million F.F.), coming from the institutional food market. In 1968, a sample of 164 firms sold food products worth $55 million (271 million F.F.) to institutions, an 80.7-percent increase over their 1966 sales. Of the 164 firms, 28 made 64 percent ($35 million, or 174 million F.F.) of the sales.

Grocery wholesalers selling in the institutional market have recently formed a new association, Syndicat National des Distributeurs Specialises dan l' Approvisionnement des Collectivities, whose function is to deal with common problems in serving the institutional market. The 50 to 60 wholesalers belonging to this association have an estimated share of about 30 percent of the institutional market for grocery products. 22/ This group of institutional wholesalers could eventually evolve into a distribution organization -- similar to Inter-Service in Germany and Astor in Sweden -- servicing the complete needs of food service businesses. 23/

22/ Grocery manufacturers distributing directly to food service businesses have the remaining share of the market.

23/ In Germany, the distribution of food to institutions has become highly developed through an organization known as Inter-Service. Inter-Service is made up of 45 wholesaling firms in 4 countries. In addition to purchasing all the products needed by food service institutions, they distribute products, offer comprehensive advisory services on management and public relations, and provide food service training for institutional personnel. In Sweden, 5 of the biggest food wholesalers formed Astor, a marketing organization specially designed for the institutional market and its specific needs. Both Inter-Service and Astor provide a total package of institutional services through a central organization (5).

Voluntary Chains

Voluntary chains are another significant development in French food wholesaling and retailing. Approximately 384 food wholesalers and 29,500 food retailers were associated in nine voluntary chains in France in 1968 (41). Trade sources estimate that these wholesalers accounted for about 45 percent of the sales of all grocery wholesalers. The larger voluntary chains in France have central buying offices, and several are associated with international buying organizations for the purchase of imported foods.

Cash-and-Carry Wholesaling

In the 1960's, cash-and-carry (C&C) wholesaling developed rapidly in France. The number of wholesalers rose from 12 in 1960 to 340 in 1971. Most cash-and-carry wholesalers have large inventories of food. Their total 1971 sales of $400-500 million were largely food sales (17). Sales of a sample of 100 C&C wholesalers increased at an average annual rate of 12.9 percent from 1966 to 1968 and continued growth is expected (16). Approximately 84 percent of all C&C wholesale houses are owned and operated by the wholesalers of voluntary chains. One large voluntary chain has 118 cash-and-carry wholesalers, 35 percent of the total in France.

The principal customers of these self-service wholesalers are owners of small foodstores, restaurants, cafes, and hotels; many other small vendors; and buyers for public and private institutions. These buyers are attracted to C&C wholesalers by their lower prices and by the convenience of buying there. The buyer can examine the merchandise, take immediate possession of goods, and buy according to his needs. The lower prices allow the typical small shopkeeper or restaurant owner to realize significant savings over prices asked by independent, delivery-credit wholesalers. The margin for cash-and-carry wholesalers runs as low as 5 percent, versus 10 to 16 percent for many delivery-service wholesalers.

Food stocks of C&C wholesalers in France consist primarily of dry groceries. Many C&C wholesalers are increasing their investories and expanding their assortments. Eighteen C&C wholesalers carried frozen foods in 1971, while only five did in 1968 (17). In 1971, 11 handled fresh fruits and vegetables, compared with seven in 1968. In 1966, only 13 percent of C&C wholesalers carried more than 2,500 articles; in 1971, over 40 percent did. Some of the newer C&C wholesalers are becoming very large food and nonfood distributors. A German-based international C&C wholesaling firm recently opened a facility in France with a sales area of 15,000 square meters (161,000 sq. ft.) and an inventory of 35,000 food and nonfood products.

Since many C&C wholesalers are located on the outskirts of cities, many small restaurants, cafes, and other institutions prefer to buy from nearby retailers. Some of these small food service establishments buy little more food than a large family. They find it convenient to buy from local supermarkets, grocery stores, and butcher shops. Data are not available regarding the amount of food distributed through local retail channels to small food service establishments.

Specialty Food Wholesalers

Together with grocery wholesalers and C&C wholesalers, specialty wholesalers remain important in food distribution in France in terms of number of firms and volume of business. The proportion and amount of their sales to food service businesses is difficult to determine. The types of food they distribute to these businesses -- usually on a delivery basis -- are fresh fruits and vegetables, meat, fish, dairy products, and bakery and beverage products. The French census reported 29,414 specialty food wholesalers in 1966 with total sales of about $8 billion, or more than 40 billion F.F. (table 3) (18). The number of specialty wholesalers in 1966 declined one-third from 1960, while sales increased by 80 percent over 1959. Average annual sales per enterprise tripled from $1 million to $3 million (5.4 to 14.7 million F.F.) during 1960-66.

Table 3--Specialty wholesalers' development in France, 1960 and 1966

Type	No. of firms, 1960	1959 sales (billion F.F.)	No. of firms, 1966	1966 sales: (billion F.F.)	% change: in no. of firms	% change in sales
Meat	5,490	4.0	3,453	10.7	-37.1	+167.5
Fruit and vegetables	9,551	4.4	6,768	9.0	-29.1	+104.5
Beverages	6,966	8.2	11,554	13.1	-31.9	+59.8
Dairy, egg, and poultry	8,533	5.3	4,501	6.5	-47.3	+22.6
Fish and shellfish	1,510	1.0	1,417	1.8	-6.2	+80.0
Bakery	1,796	0.6	1,721	2.0	-4.2	+233.3
Total	43,846	23.5	29,414	43.1	-32.9	+83.4

Source: (18).

Distribution by Chainstore Firms

Several large chainstore firms, especially food chains, are expanding their buying operations not only for their own food service operations but also for distributing food products to other restaurants and food service businesses.24/ In some cases, they are buying specialized institutional foods as well as

---

24/ In 1970, the 84 food chain firms in France had sales of $2,980 million, an increase of 18.4 percent over 1969. French food chains claim to have accounted for 12 percent of retail food sales in 1970, compared with 9.5 percent in 1967 (25). During 1960-68, the share of independent food retailers fell from 70 to 45 percent of total sales. French food chains do most of their food purchasing through joint buying organizations. One of the largest buying groups in France recently had sales of $1,356 million and included 243 superstores and 9,500 chainstores.

imported foods. In some of the French provinces, supermarket chains and consumer cooperative organizations provide economical and convenient channels for distributing food products to institutions.

At least one large retailing firm which owns a chain of restaurants is buying directly from food manufacturers and, in turn, redistributing these products to other food service organizations. Retailing firms are expanding into institutional wholesaling as well as food service. Another large restaurant chain is considering expansion into specialized institutional wholesaling, if warehouseing space can be obtained. This further integration brings together three phases of economic activity -- buying, distribution, and food preparation.

Importers

Many French food distributors still rely heavily on independent importers as their source of imported foods. Most importers have a relatively small turnover and tend to specialize along commodity lines. The 1966 census reported 350 importers of fruits and vegetables and 41 importers of grocery products in France (22). Estimates made by trade sources in recent years indicate that there are about 200 importers of meat.

Since only a few large food retailing and food sevvice firms can profitably do their own importing, importers and wholesalers must be used by the majority of French firms desiring imported foods. Even among large firms, limited warehousing and cold storage facilities can cause dependence on importers and wholesalers. Moreover, many food distributors in France depend on importers because of the problems involved in importing food products, such as customs regulations, import duties, and currency exchange.

Although the importing trade provides a necessary service to French retailers and wholesalers, many smaller importers are having difficulty staying in business. Importers claim their business is one of high risk and low profits. 25/ Many importers are trying to increase their volume of business through merger with other importers and food distributors. Importers are also broadening the assortment of products to include seafood and frozen foods. Importers typically sell to wholesalers and food chains; only a few sell directly to food service businesses.

In the future, importers probably will have to become wholesalers if they are to be successful. Already there are some large import-wholesalers in France. One imports fresh fruits, vegetables, and frozen foods, and sells and distributes directly to 20,000 customers including schools, hospitals, and restaurants all over France.

25/ An importer's gross margin averages about 6 percent and he has to offer a minimum of 30 days credit and, in some cases, 90 days.

Direct Distribution by Manufacturers

French food manufacturers and producer associations are establishing their own direct distribution systems for food service businesses, bypassing wholesalers. The largest food service operators in France buy almost all processed foods directly from food manufacturers. By buying larger sizes and quantities, they can realize considerable savings. These food products are stored in central warehouses for distribution to their restaurants and other food service operations. They also purchase fresh products from farmer cooperatives and producer associations in agricultural areas, and prefer to have more than one supplier for each food product. Depending on the product and its price, buyers may negotiate a yearly contract or buy with no fixed contract by the day, week, or month from several different suppliers. For example, a 1-year contract for canned vegetables and a 6-month contract for fish products have been negotiated by buyers of one food service business.

Competitive Bid Buying in the Public Sector

Most large public and semipublic institutions, such as schools and hospitals, are required by Government regulation to purchase food under competitive bidding procedures. These institutions request bids from food manufacturers and wholesalers. Bidders who are able to meet the product specifications -- quantity, quality, product form, and size, as stipulated by the institution -- and have lowest prices are awarded the contract. 26/ Large private institutions, although not required by regulation, may also ask for competitive bids. Medium-sized public institutions have somewhat more flexibility in buying. They buy some of their products, usually perishable foods, from the local market and some through competitive bid contracts. Small institutions usually do not purchase enough food to justify buying under contract; they purchase food much as a small restaurant does.

Buying Groups for Public Institutions

Instituted in 1963 and regulated by public code, buying groups have had regular expansion but their importance varies according to regions and products. Only the French Army and the Government's public assistance agency purchase food -- primarily nonperishable products -- at the national level. The public assistance organization has a central buying operation for fresh products at Rungis, supplying its hospitals and related establishments in the Paris region. The army buys food at several levels. At the national level, it buys imported citrus and canned meat, and nonperishable products. Stocks are established at the national level and distributed as needed. Each military region has

---

26/ Product specifications can be written in such a way that they would exclude imported food products. This does not necessarily happen for most food products but often happens in the case of wine or cheese.

authority to buy perishable products locally. A large French retailing firm which is also in the food service business supplies food products to the French Army based in West Germany.

For universities, central buying of food on a competitive bid basis is coordinated by the Centre Regional de Oeuvres Universitaires and Scolaires. For primary schools, food buying is controlled and managed by the municipalities. Coordination among school districts has been difficult because local officials prefer to purchase from local suppliers. Central food buying for secondary schools is evolving more rapidly. At the local and regional level, two types of buying groups exist for secondary schools: (1) groups organized and directed by the prefect (the regional representative of the national Government), and (2) groups started by school stewards.

In 1968/69, buying groups for schools purchased food products worth $34.6 million, 27 percent more than in 1967/68 (27). Thirty-nine buying groups purchased fresh fruits and vegetables in 1968/69, and 135 purchased meat products (table 4). Meat products and the "other food products" category accounted for the largest part of the food products purchased by group buying -- 48.8 percent and 36.9 percent, respectively.

Buying groups can realize economies of up to 8 percent on the cost of products. Although the central buying procedure became official school policy in 1967, only about 30 school districts actually buy this way. Some local authorities have not enforced the new procedure, making it difficult to organize buying groups in some areas of France.

V--INSTITUTIONAL FOOD CONSUMPTION

The French have firmly established tastes and preferences for food. Their style and methods of food preparation are known and respected throughout the world. Food preparation in France has been traditionally labor-intensive, relying on a readily available supply of fresh foods from agricultural regions. As a result, French chefs showed little interest in new prepared and convenience foods when they appeared in France. However, with the increase in number of meals eaten away from home, a shortage of skilled chefs, and an increase in the cost of meal preparation, many food service businesses are starting to shift away from exclusive use of fresh food to prepared and frozen foods. 27/ A large French food manufacturer believes that chefs -- especially those employed in office, factory, and school cafeterias -- will eventually prepare only one meal a day and serve three others that have been prepared by food manufacturers.

27/ Average hourly wage rates in France increased about 8.5 percent a year during 1964-69, while the wholesale cost of all food increased 2.9 percent (19). Moreover, the wholesale cost of many processed foods increased at even lower rates; for example, the wholesale cost of canned vegetables increased about 1.1 percent a year.

Table 4--Group buying for schools in France, 1967/68 - 1968/69

Item	Unit	1967/68 school year	1968/69 school year	Percentage change
Bread:				
Buying groups	No.	57	68	+21
Total value purchased	Mil. F.F.	5.3	8.1	+53
Meat:				
Buying groups	No.	134	135	--
Total value purchased	Mil. F.F.	68.9	92.9	+35
Fresh fruit and vegetables:				
Buying groups	No.	31	39	+26
Total value purchased	Mil. F.F.	4.6	6.7	+45
Milk products:				
Buyer groups	No.	62	69	+11
Total value purchased	Mil. F.F.	9.4	12.3	+31
Other food products:				
Total value purchased	Mil. F.F.	61.5	70.2	+14
Total food purchases of buying groups	Mil. F.F.	149.7 ($27.2 mil.)	190.2 ($34.6 mil.)	+27

-- = negligible.

Source: (27).

Prepared foods reduce labor costs, wastage, and overall costs, and allow for the use of foods that otherwise would be difficult to prepare. They also help to equalize work loads, provide an extra food source for unexpected customers, and reduce the amount of space necessary for food preparation. Many modern food service establishments in France are interested in buying new prepared foods, side dishes, and other convenience foods. In addition, use of dietetic foods in hospitals and old age homes is increasing. Food service establishments are purchasing institutional-sized cans and packages. Totally prepared meals are just beginning to be sold in the institutional market and probably will not be widely distributed for at least 2 to 3 years.

Consumer expenditures for food away from home amounted to about 11 percent of the value of total food consumption in France in 1969, a 7-percent increase from 1965 (21, 24). 28/ In comparison, consumer expenditures for food eaten away from home in the United States were 21.6 percent of total food consumption in 1969 (50). Within France's institutional market, restaurants received an estimated 46 percent of total consumer expenditures for food consumed away from the home, while school, office, and factory cafeterias received 27 percent. Consumer expenditures for food in other establishments amounted to another 27 percent (21).

Meat Consumption

In France, meat is the main component of most meals eaten away from home. In 1969, the value of meat consumed in the food service market was about $500 million at wholesale prices -- 10 percent of the total value of meat consumed in France (8). Beef consumed in institutional use was estimated at about $160 million at wholesale prices -- about 13 percent of the total French consumption. Beef accounted for about 30 percent of all meat consumed by food service businesses and institutions.

Frozen Foods

In the food service market, consumption of frozen foods is probably growing more rapidly than that of any other processed food. Consumption of frozen foods away from home increased from 18,877 tons in 1964 to 65,996 in 1970, representing a 3½-fold increase over the period (14). 29/ In 1970, the institutional market accounted for about 70 percent of the direct consumption of frozen food in France. The retail share was about 30 percent. In 1969, sales of frozen foods for direct consumption were an estimated $65 million, with the institutional share $45 million. Frozen food consumption in 1970 was estimated at $75 million, with $52 million going into institutional markets. The institutional market also accounted for a substantial share of imported frozen food products; this was considerably higher than its share of domestic production. Imports of quick-frozen foods for direct consumption increased about 6 percent from 1969 to 1970 -- from 20,988 to 24,394 tons (table 5). Imports of prepared meals and dishes increased from 607 tons in 1969 to 2,338 in 1970 (14).

28/ Consumer expenditures for food consumption away from home were estimated in 1969 at $2.3 billion or $146 per household (21). See chapter II, p. 6, for a more detailed discussion of the expansion of the French institutional food market.

29/ Includes only quick-frozen foods, except for those quick-frozen foods used for further processing or thawed and sold as "fresh products". In France, there are also frozen food products known as "congeles", which are not subjected to a quick-freezing process. In 1970, the institutional market consumed 95,355 tons of "congeles", of which 60 percent was meat products, 14 percent was seafoods, and 24 percent was poultry and game.

Table 5--Frozen food imports, France, 1969/70

	Quick-frozen 1/ (surgeles)		Frozen 2/ (congeles)	
	1969	1970	1969	1970
	Metric tons			
Vegetables	3,205	4,371	--	--
Fruits	107	108	--	--
Fruit juices	22	43	--	--
Meats	137	78	47,393	39,624
Fish	157	120	334	884
Seafood products	16,668	17,252	8,385	15,528
Paté	24	7	18	--
Prepared foods	607	2,338	--	25
Poultry and game	62	32	2,276	10,563
Total	20,989	24,349	58,406	66,623

-- means there are no data for these items.

1/ Quick-frozen foods must be kept at a temperature equal to or less than 18°C until the moment of sale.
2/ Not subjected to the quick-freezing process.

Source: (14).

In 1970, frozen seafood products represented 40.5 percent of total frozen foods used by food service establishments (table 6) (14). Frozen vegetables accounted for 31.7 percent, frozen poultry and game 6.6 percent, and frozen meats 4.7 percent. Various prepared frozen food products accounted for 12.2 percent of total institutional consumption. The quantity of frozen prepared food used by food service businesses and institutions increased from 1,907 tons in 1969 to 8,027 in 1970.

Despite rapid growth, frozen foods are still consumed at a relatively low level in France. Modest sales of frozen foods have been due to the French climate, which makes fresh products readily available. Culinary prejudices have also affected frozen food acceptance. The most important problem has been the reputation that some frozen foods gained as offering low quality at high prices.

Table 6--Consumption of quick-frozen foods by food service businesses and institutions, France, 1969/70

Food	1969 (metric tons)	Percent of total	1970 (metric tons)	Percent of total	Percentage change 1969/70
Vegetables	14,164	29.6	20,927	31.7	47.7
Fruits	540	1.1	423	.6	-21.7
Fruit juices	--	--	28	--	--
Meats	2,027	4.2	3,088	4.7	52.3
Seafood	24,023	50.2	26,704	40.5	11.2
Confectionary	--	--	135	.2	--
Cheese	--	--	242	.4	--
Paté	1,546	3.2	2,097	3.2	35.6
Prepared foods	1,907	4.0	8,027	12.2	420.9
Poultry and game	3,651	7.6	4,325	6.6	18.5
Total	47,859	100	65,996	100	37.9

-- means there are no data for these items.

Source: (14).

A 1964 law established new standards for the frozen-food industry; for example, products destined to be frozen must be perfectly fresh and free of pathogenic germs; the adjective "surgele" can refer only to a quick-freezing process; frozen foods must be kept at a temperature equal to or less than -18° C until the moment of sale; and frozen foods must be sealed in packages which ensure their protection. The resulting higher quality of frozen food products is rapidly leading to their wider acceptance.

A problem encountered in the selling of frozen foods in some sectors of the institutional market is a lack of sufficient refrigeration and freezing equipment (ch. VI). Many schools and hospitals have only enough freezer storage to stock a small amount of frozen food for use in case of a shortage of fresh supplies. However, most new restaurants and cafeterias have modern freezers and cooking facilities for frozen foods. Traditional restaurants are better equipped than one would expect. A frozen-food manufacturer claims that up to 50 percent of these restaurants have some freezer capacity.

The main causes of the rapid growth of frozen food sales in France are generally thought to be the products' convenience and the success producers have had in maintaining quality. However, relative stability of frozen food prices has also been significant. Prices of frozen foods have shown stability because as the market grows, production and marketing economies are realized. Frozen foods also have advantages in terms of cost savings in meal preparation. A German manufacturer estimated that by equipping a kitchen that produces 250 meals at a time with commercial freezers and microwave ovens, he would save 65 percent over the cost of installing a new traditional-style kitchen and 85 percent in labor costs (3).

The French frozen-food association has forecasted that by 1973, the consumption of quick-frozen foods will have increased to 160,000 tons, of which two-thirds (107,000 tons) will be consumed in the institutional market (12). This projection indicates an average growth of consumption in the institutional market of about 20 percent a year during 1970-73. Main opportunities lie in the growing market for prepared products -- meals and side dishes which have had special preparation before freezing. 30/ Consumption of these products quadrupled in 1969/70 and now accounts for over 12 percent of institutional consumption of frozen foods.

VI--FOOD MANUFACTURING

Structure

In 1968, there were 7,488 enterprises in the French food, feed, and beverage industry with sales of $13 billion. The total 1968 investment of these enterprises amounted to $485 million, approximately 3.7 percent of sales. They employed 383,000 workers, amounting to 3.2 percent of total salaried employees in France. The index of industrial production in the food industry increased at an average yearly rate of 3.2 percent during 1964-69, while total industrial production increases averaged 5.2 percent (19).

A comparison of the number of enterprises and their sales reveals the predominately small-scale structure of the food manufacturing industry. In 1967, 68.4 percent of all food processing enterprises had individual sales under $545,000; their combined sales were only 8.8 percent of total food industry sales. Enterprises with sales above $20 million (100 million F.F.), about 1 percent of all the enterprises, accounted for 34 percent of total food industry sales (18, 28).

30/ Some of the new frozen food products being introduced in retail and institutional markets include frozen prepared appetizers, meals, casseroles, and desserts. Other new products include cocktail pastries such as pizzas and quiches, soups, snails, and casseroles such as lobster Newburg and turkey Tetrazzini.

Partly because of tradition and the generally small size of firms, most French food firms are strongly oriented to production for local and regional markets. In 1970, only about eight firms had sales above $180 million (1 billion F.F.) (34). In several recent years, the largest French food firm has had sales above $300 million. Thus in France, there are only a few food manufacturers large enough to operate efficiently at the national level. A 1968 study by a French food industry association estimated the minimum sales that should be reached by a modern food industry firm before pursuing an active expansive business policy (46). For research and development, a firm should have sales of about $100 million; there are approximately 15 firms in this category. Sales of $30 to $40 million are needed to introduce a new brand of product on the French market, and sales of approximately $40 million are needed for diversification. In 1970, fewer than 60 food manufacturers met these requirements.

Modernization

Because of France's great gastronomic tradition, modernization has been relatively slow in coming to the country's food industry. Only recently has a start been made in restructuring the industry, increasing the availability of finance, and applying modern production, marketing, and management techniques. Not until the French V plan (1966-70) was there an attempt to increase the size of firms in the food industry, by regrouping smaller firms or associating them with larger ones.

From 1962 to 1971, 6,944 firms -- 22 percent of the total number in operation in 1962 -- were closed. There is a continuing need for restructuring and rationalization. Nearly 75 percent of the firms employing five or more workers had sales of less than $2 million; the remaining 25 percent supplied more than 80 percent of the French food market (1).

Modernization in the food industry can involve not only structural changes but also marketing strategies. Expansion of food industry sales into foreign markets is an important goal of the VI plan (1971-75), which builds on the earlier plans. To strengthen the competitive position of the French food industry in the Common Market, the Government will give special priority to some firms when granting subsidies or tax relief. Special priorities will also apply regarding foreign investments and the introduction of new products.

The food manufacturing sector is being affected by changes in the structure of the distribution sector, especially the increasing concentration. 31/ Growing competition among food processing firms is stimulating efficiency through adoption of new technology, much of which requires larger facilities.

31/ The growth of large retailing organizations intensifies the competition among products and manufacturers, and forces manufacturers to increase expenditures for market research, advertising, packaging, product standardization, and innovation.

Foreign Investment in the French Food Industry

Some of the modernization taking place in France's food industry results in part from increasing foreign investment. One-third of the foreign investment in the French food sector in 1967/68 originated from EC countries, and in 1969/70 the share rose to 60 percent (4). There were 31 new foreign investments in 1965/66, against 51 in 1969/70. Of the latter, 29 were industrial and 10 purely commercial; in addition, 12 distribution subsidiaries were created. At the same time, there were seven liquidations of foreign investment activities. With the United Kingdom joining the Common Market, further British investments in France appear imminent. The British firms are much larger than the French and have had long experience operating foreign subsidiaries in Commonwealth countries.

Several U.S. firms have invested in the French food industry because trade restrictions make it difficult to export food products to France. However, the American presence in the food sector is not large. Of the 25 U.S. firms with companies in France, only seven are in manufacturing, as opposed to purely commercial enterprises. A few American firms have even sold their investments in recent years.

Production of Selected Food Products

Canned and Prepared Foods

France had an estimated 1,350 producers of canned vegetables, fruits, fish, meat, and prepared foods with estimated total sales of $1.3 billion in 1969 (19, 53). The processed foods industry has been growing at about 12 percent a year, because of the adoption of technology and the research and development of new products by a few leading firms. The proportion of foreign investment in the production of prepared foods in France is about 10 percent.

In 1969, output of canned produce (vegetables, mushrooms, tomatoes, prepared specialties) reached 871,000 tons. Since 1965, output in this sector has been increasing at an average annual rate of 9.5 percent. Production of canned prepared foods reached 158,400 tons in 1969, a 38.8-percent increase over 1968 (9). 32/

Production of preserved meats amounted to 280,200 tons in 1969, an increase of 15.7 percent over 1968. Output of canned meats did not change from the 1968 level of 53,000 tons. Of 350 firms involved in canning and preparing meat, 35 accounted for 55 percent of total 1969 sales (9).

32/ Production of canned ready-made foods increased as follows during 1967-69: casseroles 15.6 percent, pasta-based meals 67.4 percent, meat and vegetables 15.5 percent, and other types of meals 93.3 percent.

Bakery, Dairy, and Beverage Products

U.S. firms control an estimated 30 percent of the biscuit industry in France. Of the Common Market countries, France is the major producer of biscuits, with over 24 percent of 1968 EC output. Production rose from 196,000 tons in 1967 to 235,000 in 1969, an average yearly increase of 9.5 percent. Sales in 1969 were estimated at $211 million. Production of dessert products increased from 16,300 tons in 1965 to 22,300 in 1969, an increase of 8.2 percent a year. Sales amounted to $25.9 million in 1969 (19, 53).

The dairy industry is becoming increasingly concentrated. The number of firms dropped from 6,000 in 1958 to about 3,300 in 1969. Milk production was 30 million tons in 1969, down slightly from 1968, but higher output is expected in 1972. Per capita consumption of cheese and yogurt is projected to increase from 34.5 lbs. in 1965 to 58.3 lbs. in 1975.

Production of fruit juices was an estimated 30 million gallons in 1969, up 10 percent over 1968, but the relatively high price of these products is hindering their sales growth. Soft drink production increased to 220 million gallons in 1969, a 16-percent increase over 1968 output (53). 33/

Frozen-Food Production

Production of quick-frozen foods, excluding poultry and ice cream, reached 69,176 tons in 1970, an increase of 40 percent over 1969 (14). Exports declined 14 percent, to 4,527 tons, although exports of quick-frozen prepared dishes increased, from 239 tons to 784. Production of quick-frozen seafood products was 27,027 tons; quick-frozen vegetables amounted to 23,671 tons. Together these product categories made up 73 percent of total 1970 quick-frozen food production in France. Production of quick-frozen prepared foods amounted to 9,707 tons in 1970, increasing two times over the 1969 level.

There are approximately 163 frozen-food manufacturers in France, seven of them accounting for 40 percent of the market for all quick-frozen foods and 30 for 93 percent. In 1970, the market for frozen foods for direct consumption at retail and institutional levels was worth approximately $75 million. Over 50 percent of this was realized by only five firms. 34/ The large subsidiary of a Swiss food manufacturer claims to have close to 50 percent of the retail market (3). Two large French firms, which have recently merged, have about one-third of the retail market. One of these firms is a large supplier in the institutional market. Further mergers by manufacturers and by distributors in the frozen-food market are likely as market demand increases.

33/ An increase in the proportion of the population under 20 years of age and increased incomes are causing changes in the pattern of beverage consumption in France. Expenditures for nonalcoholic beverages have been increasing, and per capita consumption of ordinary table wine is expected to decline in the future.

34/ Does not include frozen-food production used for reprocessing or thawed and sold as "fresh products".

Expansion of the frozen-food industry will depend in large part on further development of cold storage and distribution facilities. Between 1966 and 1970, total cold storage capacity increased 32.5 percent; most of the increase was for frozen-food storage at -18° C or less, bringing this category up to 15 percent of total cold storage area (table 7) (30). 35/ Variable temperature storage, capable of temperatures above as well as below -18° C, increased 45.8 percent and represented 28 percent of total cold storage capacity. Facilities for quick-freezing (not storage), while still at a low level, increased almost $2\frac{1}{2}$ times from 1966 to 1970. Storage capacity between -2° C and -18° C increased 4.7 percent, and capacity above -2° C declined 6 percent (30).

In 1970, quick-frozen foods were distributed by about 700 wholesalers who had about 60,000 cubic meters of storage capacity (14). To distribute quick-frozen foods, France had in 1970 3,300 vehicles for long distance hauling and 1,300 for local delivery (14). Most large cities and almost all seaports have ample facilities for handling quick-frozen foods. Importers and distributors feel that the present cold storage system is adequate and that it will continue to expand to meet the increasing demand for frozen foods.

France also has growing refrigeration facilities. The new Paris food market in Rungis contains a refrigerating terminal warehouse with a volume of 15,000 cubic meters. Original plans call for its extension to 85,000 cubic meters in 5 to 7 years (56).

Food Manufacturing for the Institutional Market

Until recently, French food manufacturers did not view the institutional market as a separate market. Food service establishments were sold food products that had been produced for the retail market. Moreover, distributors would try to sell them supplies or low-quality products that retailers often did not want (6). With recent changes in the operation and structure of the institutional market, manufacturers and distributors are recognizing this as a market with specialized product needs. Many food service establishments are beginning to insist that their suppliers provide better quality food products at acceptable prices. Furthermore, some institutional food buyers are requiring food manufacturers and distributors to make competitive bids based on exact product specifications.

New specialized products are being developed and market tested by a few manufacturers. Some of these products are high priced and variable in quality. Prices have been high because of investments in new technology and processing facilities and the high costs of selling and distribution. Many existing food products, normally sold at retail, are being repackaged for institutional users. Information exchange on new products is very rapid and some successful institutional products are quickly imitated by other manufacturers. Manufacturers and distributors are seeking food products that will satisfy the needs of the institutional market in terms of convenience, price, and quality.

35/ Frozen-food regulations require that quick-frozen foods be maintained up to the final point of sale at -18° C.

Table 7--Cold storage capacity, France, 1966-70

Year	No. of storage units	Volume of cold storage					Quick-freezing capacity
		Total	-2^{o} C and above	-2^{o} C to 18^{o} C	18^{o} C or less	Variable temperature 1/	
		Cubic meters					
1966	233	1,581,239	452,060	326,357	240,358	562,564	1,920
1967	229	1,567,817	430,590	323,969	195,174	618,084	2,079
1968	234	1,662,573	442,969	351,273	236,024	632,307	2,349
1969	241	1,972,523	492,494	347,730	359,500	772,799	2,624
1970	234	2,084,730	461,653	363,910	438,917	820,250	4,593

1/ Chambers equipped specially to assure the proper maintenance of refrigerated, frozen, and quick-frozen products.

Source: (30).

Many French food manufacturers have not yet made a commitment to develop and market specialized institutional food products, because of cost considerations, uncertainty of product acceptance, and the relatively small size of the institutional market. They are waiting for more indications of development in this market to determine its product needs. Other large French and EC-wide food manufacturers are establishing R&D and food service departments to try to take advantage of the existing opportunities and to expand operations as the food service market grows. Production and marketing economies may also increase, giving French food manufacturers cost advantages that would help stem potential competition in this market.

VII--SIGNIFICANCE FOR THE UNITED STATES

France's growing institutional market offers significant opportunities to U.S. manufacturers and exporters, but to compete successfully, they must overcome numerous obstacles, barriers, and cultural differences.

At present, some sectors of this market offer more favorable opportunities than others for increasing U.S. exports. Market development activities should focus initially on the growing, more modern sectors, including cafeterias in offices, factories, and chainstores; new restaurants; and food service in new hotels and some schools and hospitals. Food service in the transportation sector -- airports, highways, and railroads -- should also be considered. Because of their overall size and growth prospects, these sectors of the institutional market appear to have the most promising potential for increasing their consumption of both domestic and imported food products. These sectors are all engaged in fairly large-scale food service and are trying to hold down costs. As a result, they are changing the kinds of food products they purchase and will undoubtedly continue to change them.

In contrast, the product needs of the large, traditional food service sector -- small restaurants, cafes, and many public institutions -- are changing more slowly. These numerous small establishments buy food in relatively small quantities. Their method of food preparation is heavily labor-intensive and relies mainly on the help of family members or a few employees. However, this traditional sector, especially restaurants, will also benefit from the trend in eating away from home, and should not be neglected altogether.

Product Opportunities

The product needs of the various institutional sectors will vary according to differences in their size, degree of modernization, and type of clientele. The more modern food service businesses are starting to purchase more sophisticated, highly processed food products, while the more traditional are still relying primarily on the preparation of fresh foods, although they are also buying more frozen foods. To reduce costs in meal preparation, larger, modern food service businesses -- especially cafeterias in offices, factories, and chainstores -- are shifting to more prepared and convenience foods. As a

result, consumption of the following food products is increasing at above average rates and offers significant challenges to U.S. exporters:

Frozen prepared foods	Prepared packaged products 37/
Quick-frozen meats	Sauces and seasonings
Frozen seafood products	Prepared appetizers and desserts
Frozen vegetables 36/	Dietetic and low calorie foods

Opportunities are also favorable for expanding sales of U.S. variety meats in most sectors of the institutional market. There is some potential for selling high-quality U.S. beef to tourist hotels and restaurants, although its high price may limit sales. Numerous high-valued specialty products have sales potential in this market, but there are so many of them that exporters will have to approach distributors as to specific products and their terms of sale. There are also opportunities for expanding sales of U.S. citrus fruit because of the recent reduction in the tariff rates that France charges during our export season. Sales of totally prepared meals are now beginning and strong expansion is likely if quality can be maintained at reasonable prices.

Channels of Distribution

The faster growing, more modern sectors of France's institutional market obtain their domestic and imported food products in several ways. Large food service businesses with warehousing facilities tend to buy grocery and nonperishable products directly from manufacturers or importers. Perishable products -- such as meat, dairy products, and fresh vegetables -- are purchased from wholesalers and producer associations. Smaller food service establishments depend on traditional as well as cash-and-carry wholesalers for both perishable and non-perishable food products. Many of these numerous small establishments depend heavily on the retail sector. As mentioned earlier, most public institutions purchase food products on competitive bids submitted by wholesalers and manufacturers.

To obtain wide distribution of food products in the food service market, U.S. exporters will have to rely on importers and wholesalers. 38/ There is a new association of institutional wholesalers which can provide contacts in this market. Voluntary chains, which operate most of the cash-and-carry wholesalers, are an important channel reaching the more traditional food service sector. Most voluntary chains have central buying offices which do their own direct importing.

Another promising distribution channel is selling either directly or through an importer to large food service businesses and supermarket and department store

---

36/ Most simple-to-process frozen vegetables will probably come from domestic producers. Mixed and otherwise prepared vegetables are more likely to be imported.

37/ This category includes packaged soups, desserts, and potato products.

38/ The Trade Opportunity Referral System (TORS) operated by USDA's Foreign Agricultural Service can help U.S. food manufacturers wishing to export to France locate French importers and wholesalers willing to distribute their products.

chains. These firms import their own food products when there is significant volume to justify it; for smaller volume items, they rely on importers and wholesalers. The French supermarket and department store chains are fast-growing, modern enterprises. Their large central-buying offices are giving increasing consideration to the purchase of specialized institutional food products for their own use, as well as for distribution to other food service businesses.

Distrbution of U.S. food products through French food manufacturers should also be considered. A French manufacturer may wish to broaden his product line, use his sales force and distribution network more efficiently, and increase his profits by selling a food product in the institutional market that he cannot or does not wish to produce. French food manufacturers may be interested in the following types of arrangements: (1) selling a U.S. food product under either their own label or the U.S. label, (2) importing U.S. food products in bulk for repackaging for the institutional market or for use in further processing, and (3) producing and marketing institutional food products in France under license from U.S. manufacturers. One large French food manufacturer is now seeking to buy or produce under license from an American-based food manufacturer many of its institutional food products. However, the French food manufacturer has not yet received approval from French authorities because of food regulations.

Tariff and Other Trade Barriers

Even though there is a potential for imported food products in France's institutional market, there are numerous tariff and nontariff barriers that must be overcome before the United States can successfully compete.

France is a member of the European Community and therefore subject to the Common Agricultural Policy (CAP), which is primarily a market regulation and price support policy. It is implemented through a system of minimum import prices and variable levies which raise the price of certain imported foods above those of EC producers, essentially making the United States and other exporters residual suppliers. The CAP currently covers grains, rice, poultry and eggs, dairy products, pork, beef and veal, sugar, certain fruits and vegetables, and certain processed agricultural products.

In 1968, French import duties were replaced by Common External Tariffs. These tariffs cover all agricultural products from non-EC countries except those commodities covered by the variable levy system. Common External Tariffs are applied to soybeans, soybean meal and oil, variety meats, and fresh, frozen, and processed fruits and vegetables. Most import duties are on an ad valorem basis, using c.i.f. prices as a base. Miscellaneous food preparations containing leviable base products -- such as grains, dairy products, and sugar -- are subject to a fixed duty plus a variable charge on the base product. Other food products -- such as sauces and condiments, soups and broths, and prepared baking powder -- are subject only to a tariff. In addition, some agricultural commodities, mostly fruits and vegetables, are subjected to quantitative restrictions.

There are very strong regulations governing health and sanitary standards as well as additives and preservatives in imported food products. The French equivalent of the U.S. Food and Drug Administration enforces the food law.

This law determines and defines which additives food manufacturers can use in processing food. The law specifically names the additives that are allowed; anything not named is prohibited. U.S. food regulations do the opposite -- they name only what is prohibited. In addition, there are strict labeling requirements that imported food products must meet. And before imported foods are permitted into France, very accurate technical information regarding the ingredients of the products is needed. Each new imported food product needs approval from French authorities, and their decision can take several months.

Monetary Adjustment

Until recently, prices of all U.S. products in the French market were artificially inflated in terms of the French franc because of overevaluation of the dollar. In December 1971, finance ministers of the Group of Ten Countries met to realine exchange rates. The purpose was to determine how much the dollar should be devalued in terms of other major currencies. The new currency adjustment caused the French franc to appreciate 7.9 percent against the dollar, thus generally making U.S. products cheaper in France and French products more expensive in the United States. These changes in exchange rates are expected to promote larger exports of only those U.S. agricultural products not subject to the Common Agricultural Policy and its system of variable levies.

Market Development Activities

France's institutional buyers are insisting on specialized products, improved product quality, and assurances of proper delivery and service. This market can no longer be treated as a place to unload food products that do not sell at retail. Generally, U.S. food manufacturers should use the same marketing and selling techniques that are successfully used in the domestic institutional market.

It is important that U.S. exporters begin now to initiate and expand their activities in the French institutional food market if they expect to compete, since French and EC manufacturers are beginning to establish their own production and marketing operations in this area. French and EC manufacturers are presently supplying standard food products in larger sizes, and some prepared and convenience foods. Many products of the type produced by U.S. manufacturers for the U.S. institutional market have not yet been introduced in France by French firms, because the market for these products is still relatively small and product development costs are high. However, a number of large French and multinational firms, including subsidiaries of U.S. firms, are capable of providing severe competition in this market, especially on products with high sales potential. At later stages of development, it may be very difficult for exporting countries to get established in a market where French-based firms have a strong foothold.

Firms interested in French food market development activities should contact major distributors, including manufacturer-distributors, and food service businesses to exchange detailed, technical product information and to discuss terms of sale, distribution of products, and market testing. Technical sales

meetings or seminars between U.S. suppliers and French distributors and food service managers would be a good means of exchanging the necessary information and establishing the proper selling climate, and of determining which U.S. products are of interest to the French. French food service businesses and food distributors have had limited contact with U.S. food products and are unfamiliar with their prices, quality, and taste. It is necessary that distributors and institutional buyers become totally familiar with all aspects of the products to be sold.

Most new food products introduced in this market will have to be market tested to determine if they meet French specifications and customer tastes. 39/ Several institutional buyers believe that U.S. food products developed especially for the U.S. market will have to be modified or tailored for the French taste. Moreover, radically new and unfamiliar food products will be difficult to introduce in France because of distinct French cultural traditions and food preferences. The challenge to food manufacturers, foreign and domestic, is to duplicate in convenience form the traditional French-tasting meals and side dishes now prepared by French chefs.

In selling food products -- especially new prepared foods -- in the institutional market, manufacturers should carefully select distributors, and should recognize the importance of making regular, direct contact with them. With the growing competition, distributors must do more than merely distribute food products well. They must also show food enterprises how convenience food products can be used and incorporated into overall menu planning and budget activity, and advise them on food service operations and equipment. Only distributors who know the institutional market and its needs should be relied on.

Another important part of the overall marketing strategy should be to maintain close connections with food service establishments. Manufacturers will have to offer quantity discounts and occasional special promotions. To direct advertising toward food service enterprises, manufacturers can use the several trade magazines available for this. Or they can publish catalogs containing detailed information on their products; this is being done by several manufacturers and distributors. Manufacturers can also exhibit their products at the SIAL, a major trade fair held in Paris every other year. As the institutional market grows and modernizes, its product needs will change. As a result, there is a continuing need for analysis of changing market and demand conditions, followed by appropriate marketing activities to expand sales. Once new products have gained acceptance, the process of imitation can be fairly rapid. To stay ahead of competitors, food manufacturers exporting to France will need to continually develop and market new and better products. Manufacturers who can maintain product quality and develop flavor acceptable to French tastes at reasonable prices will have an advantage in this market.

39/ A list of recent and planned openings of new restaurants and cafeterias published in the trade magazine Neo Restauration can provide contacts for market-testing and trade promotions (31).

Finally, if U.S. exporters are to overcome some of the technical problems they face -- including price disadvantages and restrictions on access to the French market -- there must be further liberalization of trade in food products with France and other Common Market countries, establishment of a common set of EC-wide food regulations, and reduction of U.S. costs of processing, transportation, and marketing relative to those of competing suppliers.

LITERATURE CITED

1. Agra Europe
   1972. Need for Rationalisation of French Food Industry. London. Apr. 19.

2. American Embassy
   1971. Current Economic Situation and Trends. Paris. Nov.

3. American Chamber of Commerce
   1970. France Takes Cautiously to Frozen Foods, in Commerce in France. Nov.

4. ____________________
   1970. The French Food Industry: How Many Cuckoos in the Nest

5. Association Internationale de la Distribution Produits Alimentaires
   1970. Eating Out - A Challenge to Food Distribution. International Symposium. Berlin. Oct.

6. Beau, M. C.
   1969. Production et Collectivites. Industries Alimentation Agricole.

7. Deutsches Tiefkuhlinstitut
   1968-1969. Die Tiefkuhlwirtschaft in West Europe im Jahre 1968, 1969. Cologne.

8. Duley, H.
   1971. La Consommation du Porc et des Produits a Base de Porc dans les Collectivities. No. 12, Bulletin de Liaison du Comite de Coordination des Collectivites. Paris.

9. The Economist Intelligence Unit
   1971. Marketing in Europe--Food Drink & Tobacco. April and July.

10. European Community
    1970. The Common Market and Common Man. July.

11. Federation Interprofessionnelle de la Congelation Ultra-Rapid
    1971. Annuaire Interprofessionnel de la Surgelation. Paris.

12. ____________________
    1971. Informations Statistques sur la Marche des Produits Surgeles dans Huit Pays Europeens. La Surgelation. Paris. Nov.

13. ____________________
1970. La Chaine du Froid aux Basses Temperatures pour les Produits Alimentaires Pendant la Periode d'Execution du VI Plan (1971-75), Rapport De Synthese. Paris.

14. ____________________
1970. Rapport Statistique 1970. La Surgelation. Paris.

15. Fortune
1972. Restaurateurs Need Some New Recipes for Survival. Mar.

16. Institut Francais de Liaisons et d'Etudes des Industries de Consommation
1966-70. Monographie de l'Epicerie En Gros. No. 403, 433, 485. Paris.

17. Institut Francais du Libre Service
1971. 340 Cash and Carry en France au 1er Janvier 1971. Libre Service Actualites. No. 363. May.

18. Institut Fur Wirtshaftsforchung
1971. Agricultural Marketing Systems in the EEC Member Countries. No. 10. Munich.

19. Institut National de la Statistique et des Etudes Economiques
1970/71. Annuaire Statistique de la France. Paris.

20. ____________________
1968. Etude et Conjoncture. Oct.

21. ____________________
1971. Les Conditions de Vie des Menages en 1969. Les Collections de l'Insee. No. 9. Apr.

22. ____________________
1967. Les Establishments Industriels et Commerciaux en France en 1966.

23. ____________________
1970. La Consommation des Menages de 1959 a 1968; Les Repas Pris Hors du Domicile. Les Collections de l'Insee. No. 3 Aug.

24. ____________________
1970. Projection de la Consommation Alimentaire pour 1975. Les Collections de l'Insee. No. 5. Oct.

25. International Association of Chain Stores
1971. Retail News Letter. No. 158, 161. Paris.

26. Jacques Borel International
1970/71. Annual Reports. Paris.

27. Marches Publics
1969. Paris. Oct-Nov.

28. Ministere de l'Agriculture (France)
1968. Etude sur la Structure des Enterprises des Industries Agricoles et Alimentaires Resultats de 1966. Statistique Agricole. Paris. Aug.

29. ________________
1972. Le Marche des Produits Surgeles. Bulletin d'Information du Ministere de l'Agriculture. No. 547.

30. ________________
1967/70. Statistique Agricole.

31. Neo Restauration
1972. No. 1. Paris. Apr.

32. Newsweek
1972. France: Dethroning a King. March.

33. Le Nouveau Guide de l'Epicier
1971. No. 27. Sept.

34. Omnium D'Economie Agro-Alimentaire
1972. Cooperation Agricole. Rungis. March.

35. Organization for Economic Cooperation and Development
1969. Agricultural Statistics, 1955-1968. Paris.

36. ________________
1970. Food Consumption Statistics, 1957-1968. Paris.

37. ________________
1970. Labor Force Statistics, 1957-68. Paris.

38. ________________
1970. National Accounts of OECD Countries, 1950-1968. Paris.

39. ________________
1971. Observer. No. 54. Oct.

40. ________________
1970. The Growth of Output, 1960-1968. Paris.

41. Organization Professionnelles des Industries et des Commerces de l'Alimentation
1970/71. Toute l'Alimentation. Paris.

42. Points de Vente
1971. Special Panorama. No. 98. July.

43. Section De Techniciens Superieurs De Gestion Hoteliere
1971. La Restauration d'Entreprise Phenomene Moderne. Paris.

44. Societe Generale
1971. Changes in the French Hotel Industry. Conjoncture. May.

45. UNCTAD - GATT, International Trade Center
1969. Western European Markets for Frozen Foods. Geneva.

46. Union Nationale des Industries Agricoles et Alimentaires
1968. Rapport sur la Situation et les Prespectives d'Avenir der Industries Agricoles et Alimentaires. Jan.

47. United Nations
1970. Special agricultural trade tabulation. (unpublished).

48. U.S. Department of Agriculture
1971. Child Feeding Program in France. Agricultural Attache Report. Paris. Oct.

49. ____________________
1970. Comparison of Cost Structures of Food Stores and Eating and Drinking Places, in The Marketing and Transportation Situation. Econ. Res. Serv. Aug.

50. ____________________
1970. Food Consumption, Prices, Expenditures, Supplement for 1970. Econ. Res. Serv. ERS. 138.

51. ____________________
1972. National Food Situation. Econ. Res. Serv. May.

52. U.S. Department of Commerce
1970. Basic Data on the Economy of France. Nov.

53. ____________________
1971. Food Processing and Packaging Machinery and Equipment. France. June.

54. ____________________
1970. Foreign Trade Regulations of France. Overseas Business Report. Aug.

55. ____________________
1971. Market Factors in France. Overseas Business Report. Dec.

(Con.)

56. ________________
1970. The Market for Air Conditioning & Refrigeration Equipment in France. Mar.

57. ________________
1970. The Market for Hotel Restaurant and Institutional Feeding & Catering Equipment in France. Jan.

58. La Vie Collective
1971. Vol. 37. Nos. 431-432. June-July.